

Report of Independent Auditors
and Financial Statements for

**Southwestern Association
for Indian Arts, Inc.**

December 31, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Southwestern Association for Indian Arts, Inc.
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of Southwestern Association for Indian Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Southwestern Association for Indian Arts, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Association for Indian Arts, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mess Adams LLP

Albuquerque, New Mexico
May 26, 2016

Report of Independent Auditors
and Financial Statements for

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Southwestern Association for Indian Arts, Inc.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Association for Indian Arts, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mess Adams LLP

Albuquerque, New Mexico
May 26, 2016

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SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2015	2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	128,863	\$ 182,661
Accounts receivable		5,336	-
Prepays		15,387	32,133
Total current assets		149,586	214,794
EQUIPMENT		2,224	1,817
LONG-TERM INVESTMENTS			
Equity securities		187,487	192,016
Marketable debt securities		56,787	69,078
Total long-term investments		244,274	261,094
Total assets	\$	396,084	\$ 477,705
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	20,536	\$ 9,405
Accrued expenses		19,278	15,245
Total current liabilities		39,814	24,650
NET ASSETS			
Unrestricted		154,333	260,118
Temporarily restricted		28,112	19,112
Permanently restricted		173,825	173,825
Total net assets		356,270	453,055
Total liabilities and net assets	\$	396,084	\$ 477,705

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, Public Support and Reclassifications					
Artist fee income	\$ 494,400	\$ -	\$ -	\$ 494,400	\$ 497,811
Marketing and licensing income	17,529	-	-	17,529	29,596
Merchandise sales income	33,116	-	-	33,116	35,732
Membership and contributions	253,006	9,000	-	262,006	317,970
Grants and endowments	-	38,531	-	38,531	19,563
Special events	378,872	-	-	378,872	472,851
In-kind contributions	84,155	-	-	84,155	115,890
Investment income	3,946	-	-	3,946	10,745
Unrealized (loss)/gain on investments	(5,935)	-	-	(5,935)	7,541
Other income	500	-	-	500	500
Net assets released from restrictions	38,531	(38,531)	-	-	-
Total revenues, public support and reclassifications	1,298,120	9,000	-	1,307,120	1,508,199
Expenses					
Program Services					
Indian market	453,521	-	-	453,521	414,000
Awards and fellowships	226,974	-	-	226,974	151,542
In-kind expenses	84,155	-	-	84,155	115,890
Total program services	764,650	-	-	764,650	681,432
Support Services					
Management and general	317,345	-	-	317,345	541,438
Fundraising - funds development	321,910	-	-	321,910	195,115
Total support services	639,255	-	-	639,255	736,553
Total expenses	1,403,905	-	-	1,403,905	1,417,985
Change in net assets	(105,785)	9,000	-	(96,785)	90,214
Net assets, beginning of year	260,118	19,112	173,825	453,055	362,841
Net assets, end of year	\$ 154,333	\$ 28,112	\$ 173,825	\$ 356,270	\$ 453,055

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (96,785)	\$ 90,214
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Unrealized gain on investments	5,935	(18,014)
Depreciation	4,369	5,071
Changes in assets and liabilities		
Accounts receivable	(5,336)	-
Prepaid assets	16,746	(21,465)
Accounts payable	11,131	(5,901)
Accrued expenses	4,033	(8,210)
Net cash (used) provided by operating activities	(59,907)	41,695
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(4,776)	(1,151)
Purchase of investments	(10,844)	-
Proceeds from investments	21,729	26,321
Net cash provided by investing activities	6,109	25,170
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(53,798)	66,865
CASH AND CASH EQUIVALENTS, beginning of year	182,661	115,796
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 128,863</u>	<u>\$ 182,661</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest paid	<u>\$ 578</u>	<u>\$ -</u>
In-kind contributions	<u>\$ 84,155</u>	<u>\$ 76,839</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization

Organization and nature of activities – The Southwestern Association for Indian Arts, Inc. (SWAIA or the Organization) is a not-for-profit organization incorporated in June 1971 under the laws of the State of New Mexico. SWAIA's mission is to develop, sponsor and promote the Santa Fe Indian Market and other educational programs and events that encourage cultural preservation, intercultural understanding and economic opportunities for American Indians through excellence in the arts.

Description of programs – Following are the major programs of SWAIA:

Indian market – includes the annual organization and administration of the Southwest's largest arts market to display and judge artwork representing 1,200 artists from 43 states and Canada. Winter Indian Market is a relatively new expansion of this program. See Note 10 for greater program detail.

Awards and fellowships – consists of the judging process and presentation of awards and fellowships to participating Indian Market artists based on predefined standards and criteria of their work.

Outreach programs – consists of providing support to and recognition of Native American artists of all ages.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements are prepared using the accrual basis of accounting.

Basis of presentation – The financial statements include the accounts and transactions of SWAIA. The Organization's financial statements are reflected on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets – are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by explicit donor restrictions. Contributions are reported as unrestricted where donor-imposed restrictions are met in the same reporting period as they are received. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Unrestricted net assets include net assets transferred from temporarily restricted net assets after temporary restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. A donor's restriction, however, may be released or modified by the donor, a court, or in the circumstances and manner set forth in the Uniform Prudent Management of Institutional Funds Act.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Temporarily restricted net assets – are assets subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. The temporary restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. Temporarily restricted net assets also include accumulated net investment income earned by the permanently restricted net assets, except for net investment income permanently restricted by the donor.

Permanently restricted net assets – are assets subject to explicit stipulations imposed by the donor to be maintained in perpetuity. Permanently restricted net assets consist of contributions and pledges specifically restricted by the donor for the purpose of forming a permanent endowment to generate income.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. In the normal course of operations SWAIA may maintain cash held at financial institutions in excess of the FDIC limit of \$250,000.

Investments – Investments are recorded at fair value in accordance with ASC 820 Fair Value Measurements and Disclosures (see Note 3) and the realized and unrealized gains and losses on investments are recorded as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets based upon donor imposed restrictions or applicable law.

The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ than the amounts reported in these financial statements. Fair value estimates for securities are currently volatile, difficult to predict, and subject to material changes that could affect the SWAIA's financial condition and results of operations in the future.

Equipment – Equipment is recorded at cost or estimated fair value at the date of donation. SWAIA capitalizes all equipment purchased in excess of \$1,500. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets over their estimated service lives of approximately 3 to 10 years on furniture, equipment, and machinery on a straight-line basis.

Concentration of credit risk – SWAIA has cash depository accounts with one financial institution that sometimes exceeds the FDIC insurance coverage limit of \$250,000. SWAIA has not experienced any losses to date, and management believes the Organization is not exposed to significant liquidity risk from this concentration.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – SWAIA is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in IRC Section 501 (c)(3). Further, SWAIA has been classified as an organization that is not a private foundation under the IRC Section 509(a) and, as such, contributions to SWAIA qualify for deduction as charitable contributions.

Financial Accounting Standards Board (FASB) provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the SWAIA's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions.

Contributions – SWAIA also follows FASB ASC Subtopic 958-605, Not-for-Profit Entities: Revenue Recognition (or ASC 958-605). Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give, are required to be recorded when received and such contributions are required to be reported as permanently restricted support or temporarily restricted support and are then reclassified to unrestricted net assets upon satisfaction of donor restrictions.

Functional allocation of expenses – SWAIA is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporary restricted net assets, and permanently restricted net assets. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Recently issued accounting pronouncements – FASB Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers: Moves revenue recognition towards one principles-based revenue standard to be applied across all industries with the following steps for recognition: (1) Identify the contracts with a customer; (2) Identify the performance obligations; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligation; (5) Recognize revenue when (or as) the entity satisfies the obligation. The new standard is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018, early adoption is permitted. SWAIA is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

FASB ASU 2014-15, Going Concern: Introduces the concept of going concern into GAAP, and requires management to evaluate whether or not there is any substantial doubt about the entity's ability to continue as a going concern. Substantial doubt exists if conditions and events indicate it is probable (likely to occur) that the entity won't be able to meet its obligations as they become due within one year of issuance. The evaluation does not consider any mitigating effect of management's plans. Effective for years ending after December 15, 2016, and early adoption is permitted. SWAIA does not expect any impact from adoption of this standard.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

FASB ASU 2016-02, Leases: Changes the way lessees will recognize leases as they will recognize most leases on-balance sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. Effective for public business entities, certain not-for-profit entities, and certain employee benefit plans for annual and interim periods in fiscal years beginning after December 15, 2018. For all other entities it is effective for annual periods beginning after December 15, 2019, and interim periods in fiscal years beginning after December 15, 2020. The ASU mandates a modified retrospective transition method for all entities. SWAIA is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

Subsequent events – SWAIA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. Management has evaluated subsequent events through May 26, 2016, the date on which the financial statements were available to be issued.

Note 3 – Fair Value Measurements

SWAIA carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities and changes in net assets.

The following table presents information about SWAIA assets that are measured at fair value on a recurring basis (no liabilities are reported at fair value) as of December 31, 2015 and 2014 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3 – Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Equities and debt securities – Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SWAIA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015 are as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Equity securities	\$ 187,487	\$ -	\$ -	\$ 187,487
Marketable debt securities	56,787	-	-	56,787
	<u>\$ 244,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,274</u>

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014 are as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Equity securities	\$ 192,016	\$ -	\$ -	\$ 192,016
Marketable debt securities	69,078	-	-	69,078
	<u>\$ 261,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,094</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4 – Equipment

Equipment consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures and equipment	\$ 47,643	\$ 47,643
Computer software	<u>9,693</u>	<u>9,693</u>
	57,336	57,336
Less accumulated depreciation	<u>(55,112)</u>	<u>(55,519)</u>
Total	<u><u>\$ 2,224</u></u>	<u><u>\$ 1,817</u></u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$4,369 and \$5,071, respectively.

Note 5 – Operating Leases

SWAIA has various equipment, office and storage leases. SWAIA has a Konica digital copier under lease with a 60 month term that will expire November 7, 2018, with monthly payments of \$1,462.

SWAIA has a 5 year lease for office space at 215 Washington Avenue for the period of June 1, 2012 to May 31, 2017. The monthly lease payment was \$5,517 from January to May 2015 and increased to \$5,738 for June 1 to December 31, 2015.

Other rental payments include a postage meter leased on a quarterly basis with quarterly payments of \$616.

Future minimum lease payments for the leases recognized above are as follows:

	<u>Equipment</u>	<u>Facilities</u>
2016	\$ 21,026	\$ 70,060
2017	21,026	29,550
2018	<u>15,468</u>	<u>-</u>
	<u><u>\$ 57,520</u></u>	<u><u>\$ 99,610</u></u>

Equipment and facilities lease expense during the year are \$23,851 and \$62,450 for 2015, and \$23,641 and \$66,204, respectively, for 2014.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6 – In-Kind Contributions and Services

In-kind services consist of volunteer support for the office and the Indian Market. During 2015, 184 volunteers contributed approximately 3,680 hours to the Indian Market at a value of \$39,924. For 2014, volunteers contributed approximately 12,000 hours to the Indian Market at a value of \$127,920. Volunteers are valued at rates of \$10.84 per hour, consistent with the city minimum wage in 2015 and 2014. Pursuant to the requirements of FASB ASC 958-605-30-2, these amounts have not been recorded in the SWAIA's financial statements.

In-kind contributions of advertising, food, meeting space fees and auctioneer services totaled \$84,155 and \$115,890 for the years ended December 31, 2015 and 2014, respectively.

Additional in-kind contributions of art and jewelry for the purpose of auction fundraising totaled \$230,892 and \$329,560 for the years ended December 31, 2015 and 2014, respectively. Auction donations are valued at their final sales price. No corresponding in-kind expense is recorded due to cash received upon sale.

Note 7 – Retirement Plan

SWAIA participates in a 403(b) retirement plan for eligible employees, generally after six months of employment. Contributions to the plan are based on a percentage of employee salaries, determined by specific provisions of the plan. As of December 31, 2015 and 2014, contributions to the plan of \$332 and \$4,083, respectively, have been recognized in the accompanying financial statements.

Note 8 – Temporarily Restricted Net Assets

As of December 31, temporarily restricted net assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Purpose restriction		
Grants - youth camp	\$ 7,111	\$ 7,111
Grants - fellowships	4,975	4,975
Grants - artist award payments	4,500	-
Grants - artist assistance	8,290	3,790
Grants - equipment and hardware	<u>3,236</u>	<u>3,236</u>
	<u>\$ 28,112</u>	<u>\$ 19,112</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 – Permanently Restricted Net Assets

SWAIA maintains several permanently restricted endowment funds in its permanently restricted net assets. These funds as of December 31, are as follows:

	<u>2015</u>	<u>2014</u>
Messengers of Healing Winds Foundation Endowment	\$ 10,000	\$ 10,000
William Randolph Hearst Foundation Fellowship	100,000	100,000
Helen Naha Memorial Award Funds	11,825	11,825
Peter Dechert Indian Arts Award Fund	2,000	2,000
John Moore's Endowment	<u>50,000</u>	<u>50,000</u>
Total	<u>\$ 173,825</u>	<u>\$ 173,825</u>

Note 10 – Endowments

SWAIA endowment consists of donor-restricted endowment funds and does not include any funds designated by the Board of Directors to function as endowments. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – Based on the interpretation of UPMIFA by the Board of Directors of SWAIA, the guidance in ASC 958-205, and absent explicit donor stipulations to the contrary, SWAIA classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SWAIA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, SWAIA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund
- the purposes of SWAIA and the donor-restricted endowment fund
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation of investments
- other resources of SWAIA
- the investment policies of SWAIA

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 10 – Endowments (continued)

Net asset classification by type of endowment as of December 31, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 173,825	\$ 173,825

Changes in Endowment Net Assets for the Year Ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	\$ -	\$ -	\$ 173,825	\$ 173,825
Investment return	-	(5,935)	-	(5,935)
Appropriation of endowment assets for expenditure	-	5,935	-	5,935
Endowment net assets, December 31, 2015	\$ -	\$ -	\$ 173,825	\$ 173,825

Net asset classification by type of endowment as of December 31, 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 173,825	\$ 173,825

Changes in Endowment Net Assets for the Year Ended December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2013	\$ -	\$ -	\$ 173,825	\$ 173,825
Investment return	-	7,451	-	7,451
Appropriation of endowment assets for expenditure	-	(7,451)	-	(7,451)
Endowment net assets, December 31, 2014	\$ -	\$ -	\$ 173,825	\$ 173,825

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 10 – Endowments (continued)

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the fund. There were no funds with deficiencies.

Return objectives and risk parameters – SWAIA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historical dollar value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. SWAIA currently expects its endowment funds to produce a total investment rate of return over the long term which exceeds the rate of inflation as measured by the Consumer Price Index (CPI) by at least 5%. Actual returns in any given year may vary from this amount.